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Joehler, Pamela D
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TO: Legislative Finance Committee

FROM: Pamela D. Joehler Pam Joehler pe
Senior Fiscal Analyst

RE: University System Pay Increase

The purpose of this report is to inform the committee of the Commissioner of Higher Education's (CHE) recommendation to the Board of Regents for the pay plan increase for the University system for the 1993 biennium and its long-term fiscal consequences. "University System" in this report refers to the six units and experiment stations only.

1993 Biennium Pay Plan

House Bill 509 passed by the 1991 legislature provides a $.60 per hour increase in fiscal 1992, a $.25 per hour increase in the first half of fiscal 1993, and an additional $.20 per hour in the second half of fiscal 1993 as well as a $20 per month health insurance contribution increase each year of the biennium.

House Bill 509 also provides a progression increase for state employees covered under the general pay matrix (matrix 60). Under the progression increase, an employee receives an annual adjustment of 0.125 percent for each percentage point his salary is below the "market" salary for his assigned grade. The "market" salary, which is set in statute, was

determined by a 1990 survey of public and private employers in Montana and public employers in North Dakota, South Dakota, Wyoming, Idaho, and Washington.

House Bill 509 does not provide a progression increase for teachers, liquor store employees, blue collar employees, and exempt employees (those not covered by pay matrix 60).

University System Pay Plan - HB 509

The funding for the University System portion of the 1993 biennium pay plan in HB 509 was calculated with the following assumptions:

a) Positions classified as Classified and Part-Time and Other were assumed to be subject to pay matrix 60 and, therefore, received the hourly increase, progression increase, and insurance increase.

b) Positions classified as Contract Faculty and Contract Professional and Administrative were assumed to be on a Board of Regents contract, and therefore, under section 2-18-103, MCA, exempt from the state classification system and the progression increase calculation in HB 509.

c) Other adjustments (applied to all state positions) included a vacancy savings adjustment and a pay period adjustment since the new pay plan is not effective until the first full pay period of each fiscal year. The pay period adjustment results in a 10 day lag in fiscal 1992 and a 8 day lag in fiscal 1993. House Bill 509 includes $13,929,000 in the 1993 biennium for the University System pay plan. The bill appropriates 22 percent of the cost from tuition revenue ($3,064,000); the remaining 78 percent is funded from general fund ($10,865,000).

University System Pay Plan - CHE Recommendation

At the May 1991 Board of Regents meeting, the Commissioner of Higher Education recommended a pay plan totaling $17,041,000 for the 1993 biennium. The CHE recommended several adjustments which account for the differences. These include:

a) Providing all university system employees a progression increase in addition to the hourly and insurance increases. This adds $2.22 million to the 1993 biennium pay plan cost.

b) Funding the pay plan increase effective July 1 each fiscal year. The CHE notes that because the university system pays monthly for pay periods covering an entire month, it will not experience the "lag" expected in other state agencies. This adds approximately $311,000 to the 1993 biennium pay plan cost.

c) Eliminating the vacancy savings adjustment. This adds approximately $245,000 to the 1993 biennium pay plan cost. In the general appropriations act, the 1991 legislature applied 2 percent vacancy savings to non-faculty positions in the Instruction and Support programs and 4 percent vacancy savings to all positions in the Research, Public Service, and Physical Plant programs while excluding faculty from any vacancy savings.

Finally, the CHE asserted that HB 509 provides insufficient funds for classified and part-time and other staff in the 1993 biennium. The statewide average percent increase (reflecting the hourly increase and the progression increase) was used to calculate the pay plan cost for classified and part-time staff rather than the hourly increase and a position-specific progression increase because specific position information upon which to estimate progression increases (i.e. grade/step) is not currently centrally available

for the university system. This will become available when the Regents' Employee Reporting System is implemented in fiscal 1992. Approximately $333,500 would be necessary to fully fund the hourly increase for classified and part-time staff.

Table 1 shows the funding contained in House Bill 509 for the University System, the adjustments recommended by the CHE, and the resulting proposed 1993 biennium pay plan for the Montana University System. As table 1 shows, the proposed adjustments add $3.1 million additional costs to the pay plan -- all of which would be funded from tuition increases under CHE's proposal. The Board of Regents is expected to take final action on the recommendation at its June 20-21, 1991 meeting in Havre.

Table 1
1993 Biennium Pay Plan
Montana University System

	General Fund	Tuition	Total
House Bill 509	$10,865,000	$3,064,000	$13,929,000
CHE Adjustments:			
1) Market Adjustment		$2,222,754	$ 2,222,754
2) Pay Period Delay		311,000	311,000
3) Vacancy Savings		245,000	245,000
4) Base Calculation Shortfall (est.)		333,500	333,500
Total CHE Adjustments	0	$3,112,254	$ 3,112,254
CHE 1993 Biennium Pay Plan Recommendation	$10,865,000	$6,176,254	$17,041,254

The Commissioner of Higher Education recommended to the Board of Regents at its May 1991 meeting that annual resident tuition and other fees for a full-time student be increased approximately 6.6 percent from fiscal 1991 to 1992 and an additional 2.8 percent in fiscal 1993. Compared to estimated peer data provided to the Board of Regents, Montana resident

tuition and fees would be approximately 93 percent of peers in fiscal 1992 and 91 percent of peers in fiscal 1993. Resident tuition and fees was approximately 92 percent of peers in fiscal 1991. Annual tuition and other fees for non-resident full-time student are proposed to increase 13.5 percent in fiscal 1992 and 6.3 percent increase in fiscal 1993. This would make non-resident tuition and fees approximately 80 percent of peer tuition rates in fiscal 1992 and 82 percent of peers in fiscal 1993 compared to 73 percent of peers in fiscal 1991. The Board of Regents will also make a final decision on these proposed increases at its June 1991 meeting.

Long-Term Impact

Since the CHE is recommending the increased pay plan costs be funded from tuition rate increases, there should be little or no long-term general fund impact to the state of Montana. The chance for general fund commitment does exist if the increased expenditures are added to the base and the higher tuition does not materialize. The excess costs would then need to be funded from current operations. The appropriation authority for the CHE-proposed additional costs and revenues will need to be obtained through the budget amendment process and considered by the full legislature in 1993 before it is included in the base operating budget.

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